

# FTJ FundChoice, LLC

## Part 2A of Form ADV

### The Brochure

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FTJ FundChoice, LLC (we, us, or our) is an investment advisor that is registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of FTJ FundChoice, LLC (FTJFC). For more information about the brochure and the type of information that is required to be disclosed see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this brochure, please contact us at 800-379-2513 or 859-426-2000. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about FTJFC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

FTJFC's most recent update to Part 2 of Form ADV was made in September 2011. FTJFC's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV beginning in the year 2011. This brochure, which reflects those changes, is materially different from brochures used by FTJFC in prior years.

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## Advisory Business

Our firm provides a fee-based mutual fund platform allowing financial advisors the ability to develop their own model portfolios or outsource the asset allocation decision to institutional portfolio strategists ("Strategists") that we have selected. We are 100% owned by Richard F. Jones and have been providing reporting and administrative services to affiliated and unaffiliated investment advisors and broker-dealer representatives ("Investment Advisors") since April 2001. In 2004, we registered as an investment advisor with the SEC after the development of our Strategist program. Through this program we retain third party non-affiliated investment managers to design and manage model portfolios which advisors can use to manage client assets. We also offer a model portfolio designed to provide investors with a way to earn income while preserving capital and maintaining liquidity. This portfolio is managed by us and is limited to money market mutual funds.

The information contained in this document provides an overview of the Strategist program we have developed. Unless otherwise indicated, this brochure does not provide information about the reporting and administrative services offered to advisors as a standalone service. Investment

advisors may use our mutual fund platform to manage accounts according to their own proprietary models, in which case our service is limited to providing administrative and recordkeeping services. You should review your advisor's disclosure document for information about his or her services and fees.

Our Strategist program provides access to asset allocation models developed by third party investment managers who we have selected and regularly monitor. Currently, we have engaged the following investment managers as Strategists:

- Wilshire Funds Management
- First Affirmative
- PGR Solutions
- Toews Corporation
- Advanced Asset Management
- Iron Point Capital Management
- Frontier Asset Management
- Litman Gregory Asset Management

Each Strategist will offer multiple models for various risk profiles and is responsible for creating and managing models using mutual funds available through our platform. Your account will be invested in accordance with the model portfolio you select. You are not permitted to place any investment restrictions on the models. To the extent you reject any changes to the model your account will no longer be managed in accordance with the model, and it will be your or your advisor's responsibility to manage the account. In such cases, you will no longer be charged fees for the Strategist program.

It is up to you and your advisor to select the most appropriate model offered by our Strategists. When there is a change in any model, we will have the authority to conduct trading activity as outlined in the Terms of Use and Client Service Agreement. Please read this document carefully, as it contains important information on how your account will be managed. When opening an account with us, you will be required to consent to this agreement.

On occasion we will work directly with individual clients who are friends and family of our employees. In such instances we are acting as the advisor and maintain discretion over the account.

As of March 31, 2011, FTJFC managed \$893 million on a non-discretionary basis in Strategist's models of which approximately \$3,000,000 is managed by us on a discretionary basis through our relationships with family and friends.

## **Fees and Compensation**

Fees for our services include administration fees, account maintenance fees, and Strategist fees. We do not charge a redemption fee, however; if a client would prefer an in-kind transfer out of FTJ FundChoice there will be a \$100 fee applied to the account being transferred. You should carefully review all fees charged by us, your advisor, and the underlying mutual funds to fully

understand the total amount of fees that are paid. It is your responsibility to verify the accuracy of the fee we charge to your account. The custodian will not determine whether the fee has been properly calculated. The fee we collect will appear on your custodial statement. In addition, a fee summary is available online on a monthly basis. Fees charged by us are separate and distinct from fees and expenses charged by mutual funds. A description of these fees and expenses are available in each fund's prospectus.

Our service may be terminated by either party in accordance with the Terms of Use and Client Service Agreement. You are responsible to pay for services rendered until the termination of the agreement.

Below is a summary of the fees charged by us and our Strategists.

### **Administration Fees**

You will pay an administration fee to us for providing reporting and accounting services. This fee will be deducted from your account monthly in arrears and is based on the average daily account balance for the previous month. If your account was not open for the entire month, then the fee will be pro-rated. We changed our administration fee schedule in July 2010. All accounts that were established prior to July 2010 were grandfathered under our previous fee schedule. We will communicate any changes to our fee schedule as outlined in our Terms of Use and Client Service Agreement. The current administration fee schedule for accounts opened after July 2010 is as follows:

|                       |        |
|-----------------------|--------|
| Less than \$50,000    | 0.45%  |
| \$50,001 – \$100,000  | 0.35%  |
| \$100,001 – \$250,000 | 0.20%  |
| \$250,001 – \$500,000 | 0.175% |
| Over \$500,000.01     | 0.15%  |

Effective August 1, 2011, FTJFC aggregates the average daily balance (ADB) of all accounts in a household (that are under the FTJFC Administrative breakpoint schedule listed above) and applies that aggregate amount to the FTJFC Administrative breakpoint fee schedule, as well as any advisor breakpoint or tiered schedule.

The administration fee may be discounted for advisors who have a significant amount of assets invested on our platform. The amount of the discount is individually negotiated with each advisor. This fee is also separate from the fees charged by your advisor.

### **Annual Account Maintenance Fees**

In addition to the administration fee, the current account maintenance fee schedule for accounts opened after July 2010 is \$25.00 to \$50.00 per account. If you elect to receive statements electronically then the fee is \$25 per account. If you elect to receive mailed statements then the fee is \$50 per account. We may also charge miscellaneous fees associated with administrative services, such as processing wire transfers, in-kind asset transfers out or overnighting checks. Please contact your advisor for a list of these fees.

The account maintenance fee may be discounted for advisors who have a significant amount of assets invested on our platform. The amount of the discount is individually negotiated with each advisor.

### **Strategist Fees**

The fees charged by each Strategist vary and their fees are in addition to the administration fees charged by us and the fees charged by your advisor. The fees charged by each Strategist are as follows:

|                                 |                      |
|---------------------------------|----------------------|
| Wilshire Funds Management       | No additional charge |
| PGR Solutions                   | 0.10%                |
| Advanced Asset Management       | 0.10%                |
| Frontier Asset management       | 0.10%                |
| First Affirmative               | 0.10%                |
| Toews Corporation               | No additional charge |
| Iron Point Capital Management   | 0.10%                |
| Litman Gregory Asset Management | 0.10%                |
| FTJ FundChoice                  | No additional charge |

Strategists not charging a fee generally select affiliated mutual funds when developing an asset allocation model. For example, Wilshire Funds Management will build models by selecting mutual funds affiliated with Wilshire Funds Management. Wilshire Funds Management will receive a management fee from the mutual fund they manage.

In some instances certain Strategists will share a portion of the Strategist's fee with us. Also, Strategists not charging a Strategist fee will share fees they collect from mutual funds they manage with us. Below are the Strategists who share their fees with us:

- Wilshire Fund Management
- Toews Corporation

This fee sharing arrangement creates a conflict of interest since we have an incentive to continue to recommend these Strategists.

Strategists may refer or recommend their clients to invest via our mutual fund platform. This arrangement creates an incentive for us to keep these Strategists over others that we may be considering.

The Strategist Fees and the Administration Fee are billed and collected in the same manner.

### **Advisors Fees**

You should review the fees charged by your advisor which are outlined in the advisor's ADV Part 2.

### **Custodian Fees**

Your account will be maintained by Huntington Bank Trust Services (“HNB”). There is no additional custodial fee charged by HNB. We have entered into an agreement with HNB in which we receive a percentage of the 12b-1 and shareholder servicing fees HNB collects from mutual funds. 12b-1 fees are fees paid by the mutual fund out of fund assets to cover distribution expenses and sometimes shareholder service expenses. We do not determine the mutual funds used by Strategists; however, to the extent the mutual fund charges a 12b-1 or shareholder servicing fee we will earn additional income. Information about 12b-1 and shareholder servicing fees can be found in the mutual fund’s prospectus. The administration fee we charge includes fees charged by HNB (please refer to *Brokerage Practices for more information on trading*).

### **Performance Based Fees and Side-by-Side Management**

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An advisor charging performance fees to some accounts faces a variety of conflicts because the advisor can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the advisor may have an incentive to direct the best investment approach, or to allocate or sequence trades in favor of the account that pays a performance fee.

We do not charge a performance-based fee.

### **Types of Clients**

FTJFC primarily provides investment management and recordkeeping services to advisors. These advisors use our mutual fund platform to service their clients. The advisor’s clients may include individuals, pensions and profit sharing plans, trusts, estates or charitable organizations.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

We will determine the specific qualitative and quantitative screening criteria to identify appropriate Strategists for the mutual fund platform. The quantitative review focuses on performance and track record of the Strategist against various benchmarks. Our qualitative analysis reviews information surrounding the operations of the Strategists, including history, experience, firm size and structure, investment analysis and decision-making process, and portfolio risk review. Qualitative screening includes a review of each Strategist’s organizational history and stability including: depth/experience of investment team and research group, investment process and strategy, internal resource allocation, legitimacy of track record, experience with taxable clients, client servicing capabilities, and other characteristics.

Each Strategist is reviewed and analyzed in detail. On an annual basis, we review the performance of each Strategist along with any organizational changes that may have occurred during the year.

The description contained herein is an overview of the risks entailed in our Strategist program and is not intended to be complete. All investing involves a risk of loss and the Strategist program could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

**Investing in securities is inherently risky.** An investment in mutual funds could lose money. The Strategists cannot give any guarantee that they will achieve their investment objectives or that any client will receive a return of its investment.

**No Guarantees.** The value of your mutual fund investment, unlike a bank deposit, could decline and be worth less than the principle initially invested. And while a money market fund seeks a stable share price, its yield fluctuates unlike a certificate of deposit. In addition, mutual funds are not insured or guaranteed by an agency of the U.S. government. Bond funds, unlike purchasing a bond directly, will not re-pay the principle at a set point in time.

**The Strategist program generates multiple levels of fees and expenses.** By investing in the Strategist program, the investor bears fees charged at different levels as described under *Fees and Compensation*. Thus, investors may be subject to higher operating expenses than if he or she invested in mutual funds directly.

## **Disciplinary Information**

Neither FTJFC nor our employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

We are affiliated with other companies that are under common control with us including: Forrest T. Jones Consulting Co., Forrest T. Jones Inc., American Service Life Ins. Co., Fidelity Security Assurance Co., Fidelity Security Life Insurance Company, and National Pension Group Consultants. Below is a description of each company. While we are affiliated with these companies, we do not believe it presents any material conflicts of interest since these companies do not provide any services to us or to you.

Forrest T. Jones Consulting Company is a third party insurance administrator of risk management solutions and benefits administration to insurance companies.

Forrest. T. Jones, Inc. is an insurance agency and administrative company.

American Service Life Insurance Co. is an Arkansas domiciled life and health company.

Fidelity Security Assurance Co. is a Cayman based captive reinsurance company.

Fidelity Security Life Insurance Company ("Fidelity") has established relationships with financially secure insurance companies. Through those relationships Fidelity offers competitive insurance products.

NPGC is a broker-dealer registered with FINRA and transacts business in mutual funds and other investment products.

None of the Strategists selected are affiliated with us. However, certain Strategists will share fees with us as discussed above in *Fees and Compensation*. These fees are negotiated between us and the Strategist. We may receive up to 40% of the fee charged by the Strategist. Given this arrangement we have an incentive to continue to recommend Strategists that share fees with us.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, and it is predicated on the principal that we owe a fiduciary duty to you. Procedures have been adopted to ensure compliance with the provisions of the Code, including pre-approval of personal securities transactions for certain employees, annual affirmations of compliance and regular reviews of holdings and transactions. A copy of the Code is available upon request by contacting us at (859) 426-2000.

## **Brokerage Practices**

To participate in our mutual fund Strategist program we require that your account be held at HNB. We will be responsible for placing all trades in accordance with the model you select; however, you will have the opportunity to approve all purchases as indicated in the Terms of Use and Client Service Agreement. The administration fees charged by us cover all fees charged by HNB. Thus, clients will not incur any additional custodial expenses.

When placing trades for accounts invested in the same model, orders are communicated to HNB and every account receives the same price.

## **Trade Error Policy**

FTJFC has internal controls for the prevention of trade errors. However on occasion errors may occur. FTJFC recommends that clients regularly review their HNB custodial statements. In the event a client identifies an error, they have 90 days from the occurrence of the error to notify FTJFC of its existence. Upon notification, FTJFC will perform an analysis of the reported discrepancy. If FTJFC made an error while placing a trade for a client, the Company will seek to correct the error in a way that mitigates any losses. In the event an error results in a gain, such gains will be retained by FTJFC. If the client does not notify FTJFC within 90 days of the occurrence of the trade error, the client forfeits the reimbursement of any losses unless the error was the result of FTJFC’s bad faith, gross negligence, or willful misconduct.

FTJFC's CCO will maintain a record of identified trade errors, including details of the original transaction and the corrective actions.



## **Review of Accounts**

Strategists are subject to quantitative and qualitative reviews initially, and periodically thereafter. We do not perform any review of your accounts. Instead, it is up to your advisor to review your account. For accounts where we serve as the advisor, we will review accounts on a quarterly basis.

You will receive quarterly account statements from us along with custodial statements from HNB.

## **Client Referrals and Other Compensation**

We do not compensate any person for client referrals, nor do we offer or receive sales awards or prizes for providing investment advice to you.

## **Custody**

Your account will be held in custody by HNB. We will have access to your fund and securities since you will give us authorization to debit your account to collect fees. HNB will send statements directly to you no less than quarterly. You should carefully review and compare these statements to any account information provided by us or the advisor.

## **Investment Discretion**

We do not accept discretionary authority over your account unless we are acting as the advisor. You authorize us to place trades in your account in accordance with the model you select. At the discretion of you and your advisor, you have the ability to remove your funds from the Strategist program at any time without a termination fee.

For accounts in which we serve as the advisor, we may accept discretionary authority to make investment decisions as outlined in the Terms of Use and Client Service Agreement.

## **Voting Client Securities**

We will not exercise proxy-voting authority. The obligation to vote proxies shall at all-times rest with you. HNB will send all proxy information directly to you. You should contact your advisor if you have questions about voting proxies.

## **Financial Information**

FTJFC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage your account.